

## Message Text

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73

ACTION EB-07

INFO OCT-01 AF-06 EUR-12 NEA-09 ISO-00 FEA-01 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01

H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

USIA-06 PRS-01 /110 W

----- 040529

R 161612Z APR 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 2293

INFO AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

LIMITED OFFICIAL USE ALGIERS 0968

E.O. 11652: N/A

TAGS: ENRG, AG

SUBJECT: ALGERIAN OIL PRICES AND FRENCH PRODUCERS

REF: ALGIERS 0936 AND 0689

1. FRENCH PETROLEUM ATTACHE INFORMED EMB/OFF THAT  
DECREE SETTING NEW ALGERIAN CRUDE OIL PRICE IS ON  
PRESIDENT BOUMEDIENE'S DESK FOR SIGNATURE. NEW  
POSTED PRICE IS SAID TO BE \$12.50 A BARREL, DOWN  
FROM \$16.21 A BARREL SET IN EARLY 1974.

2. FRENCH OIL COMPANIES, TO WHOM POSTED PRICE  
APPLIES FOR TAX PURPOSES, ARE UNHAPPY WITH NEW  
POSTED PRICE. EVEN \$12.50 A BARREL MAKES ALGERIAN  
OIL EXPENSIVE:

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NEW POSTED PRICE \$12.50

EXCISE TAX 20 PERCENT \$2.50

PRODUCTION COST \$1.00

PROFIT TAX 85 PERCENT \$7.65

COST TO FRENCH OIL COMPANIES \$11.15

SONATRACH MARKET PRICE IS \$11.75 A BARREL, BUT FRENCH COST IS CLOSE TO THIS FIGURE WHEN ONE ADDS ON 30 TO 45 CENTS A BARREL COMMITMENT TO EXPLORE FOR OIL IN ALGERIA. FINALLY, PIW CALCULATES ALGERIAN OIL WITH DIFFERENTIALS SHOULD BE PRICED BETWEEN \$11.00 AND \$11.20 A BARREL TO BE COMPETITIVE WITH GULF MARKER CRUDE IN NORTHERN EUROPE.

3. PUBLIC COMMUNIQUE PRAISING AGREEMENT TO CONTINUE FRENCH/ALGERIAN OIL ACCORDS THROUGH PERIOD 1976-1980 SHOULD BE READ WITH UNDERSTANDING THAT KEY ISSUE OF OIL PRICE IS NOT PART OF THESE AGREEMENTS. AGREEMENTS LEAVE GOA AND SONATRACH FREE TO SET TAXES AND COSTS WHICH OBVIOUSLY DETERMINE PRICES. THEY ARE IMPORTANT AS COMMITMENT BY ELF AND CFP TO CONTINUE MAJOR EXPLORATION AND CAPITAL INVESTMENT PROGRAM IN ALGERIA. THIS INVESTMENT IS ESTIMATED AT 150 MILLION DOLLARS OVER THE PERIOD. CFP ALSO INDICATES ITS INTENTION TO INCREASE OIL PRODUCTION IN ALGERIA FROM 7 TO 7.5 MILLION TONS A YEAR. ELF'S PRODUCTION IN ALGERIA IS STATED TO BE ABOUT 5 MILLION TONS. TOGETHER THE FRENCH COMPANIES PRODUCE BETWEEN ONE-FOURTH AND ONE THIRD OF ALGERIAN OIL PRODUCTS.

4. OTHER PRINCIPAL PARTY HURT BY NEW, HIGH INCOME TAX IS ALGERIAN STATE OIL COMPANY--SONATRACH. ISSUE WAS WHETHER SONATRACH KEPT HARD CURRENCY EARNINGS FOR ITSELF AND LATER MADE A 'VOLUNTARY' CONTRIBUTION TO GOA AT END OF YEAR OR LIMITED OFFICIAL USE

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QUARTERLY WAS FORCED TO PAY NEW HIGH INCOME TAX TO MINISTRY OF FINANCE. RESOLUTION OF THIS ISSUE IN FAVOR OF MINISTRY OF FINANCE WILL LIMIT SONATRACH'S ABILITY TO SELF FINANCE PROJECTS AND MIGHT CAUSE A CASH-FLOW PROBLEM.PARKER

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## Message Attributes

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